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SOURCE      Newspapers as indicated.

CHIANG AND KWANGSI CLIQUES SPLIT

CHIANG STILL CONTROLS KMT TREASURY -- Nan-ch'iao Jih-pao, 15 Oct 49

Since Chiang Kai-shek's triumphant march northward in 1926, there has been a struggle for power between his clique and that of Kwangsi led by Li Tsung-jen and Pai Ch'ung-hsi. It appears that this struggle will continue until both collapse.

The present stage of power politics between the two cliques began when Li Tsung-jen was elected vice-president. He achieved his greatest triumph when he was able to push aside Sun K'ao (Ueda: 2282, 8192) to become acting president. However, actually it was no great gain for him since the treasury of the KMT had already been removed to Taiwan by Chiang Kai-shek.

Since the fall of Nan-ching, dissension between these two cliques has centered mainly on the problem of the treasury. It is quite evident that Chiang's clique has the upper hand. However, it must cooperate with the Kwangsi clique by placing a certain amount of money in its hands or the resistance against the Communist advances to the south may collapse completely.

The recent fall of Kuang-chou has brought the split to a crisis. The Kwangsi clique blames the disaster on Chiang Kai-shek, who, they say, failed to appropriate sufficient funds for the air force under Pai's control, which resulted in the fall into Communist hands of Kuang-chou and all the coastal areas.

Li and Pai have retreated into Kwangsi with some 200,000 troops. Lacking bargaining power, and almost surrounded by the Communists, the two men are now facing their greatest disaster. A portion of their forces may be able to break through to Kwangsi from the north. Whatever the case, it appears that they must eventually capitulate either to the Communists or Chiang.

IMPORTANCE OF CHAN-CHIANG INCREASES -- Hsin-sheng Wen-pao, 19 Oct 49

Since the fall of Kuang-chou and Hsia-men into Communist hands, the only coastal port now available to the retreating KMT forces is Chan-chiang located in southwestern Kwangtung. As long as this city remains in their hands, the KMT may be able to continue resisting Communist southward advances. Its capture

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by the Communists may mean complete collapse of anti-Communist resistance, not only on the Chinese mainland but on Hainan as well.

It is reported that the KMT forces are now busily engaged in constructing roads, docks, and warehouses, as well as repairing the airfield at Chan-chiang, in expectation of receiving the 75-million-dollar US aid promised them. Needless to say, further foreign assistance will be necessary for the KMT forces to make any stand in the southwest. However, a CCP spokesman is reported to have said ironically that the CCP is welcoming US aid to the KMT because it eventually finds its way in the hands of the CCP.

At present, Yu Han-mou (Ueda: 253, 6499, 11092) forces are defending Chan-chiang and the Lei-chou peninsula. It is reported that a regiment of An-chi (840, 2309, 7317) troops now withdrawing from the north will be used to reinforce the area. Whether these forces will be able to defend successfully this area remains to be seen, for it must be assumed that a formidable force will be used by the Communists in an attempt to capture this strategic city.

If this city falls, it will mean that future American aid to KMT will have to come by way of Viet Nam.

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